

**The governor has proposed LB 958 and LB 959 to provide “property tax relief”**

Instead of recognizing Nebraska’s heavy reliance on property taxes and low level of state support for our schools, counties, cities and community colleges, the governor’s package places the blame for rising agricultural property taxes on these local entities, and targets “relief” efforts by limiting spending on critical local services.

LB 958 would limit spending by counties, cities, and community colleges by tightening spending limits, and would tie the hands of local elected officials by requiring many spending decisions to be taken to a vote of the people. It would also cap aggregate statewide growth of agricultural land to 3%. LB 959 would limit school spending and would limit the amount schools can have in their cash reserve.

**The Governor’s proposed assessment cap on agricultural land valuation growth will result in significant shortfalls for schools and other local governments, a tax shift to residential and commercial property owners, will have disparate impacts on ag land owners across the state, and fails to address the root of the problem – low level of state support for public schools and local governments.**

**Shortfalls for schools and other local governments.**

- If the assessment cap on agricultural land had been in effect this year, it would have created a \$212M shortfall for schools and other local governments, including:
  - \$144 million shortfall for K-12 schools (before any TEEOSA increase);
  - \$42M for counties; and
  - \$15M for community colleges.
- If the assessment cap had been in place for the last ten years, a \$613m shortfall would have been created in this year alone, including:
  - \$418m for schools;
  - \$122m for counties; and
  - \$43m for community colleges.
- The result would have been increased property tax levies or cuts to services.

**Creates a tax shift - higher taxes for residential and commercial property owners**

- Local governments may increase their levies to make up some of the shortfall from the assessment cap on agricultural land. This in turn will increase property taxes on residential and business properties - by over 20 percent in some parts of the state.

**Disparate impact on agricultural land owners – depending upon where you live**

- If local governments raise levies to prevent cuts to services, some agricultural land owners will see a smaller tax reduction than others.
- The largest tax reductions will be for agricultural land owners who live near urban areas where the increases in levies can be shared more broadly with nearby residential and business properties.

## Talking Points – Governor’s Property Tax Proposals

- In more rural parts of the state, where there is less residential and commercial property with which to share the tax responsibility, the increases in levies will likely offset the property tax reduction for agricultural land owners.

### **These proposals don’t actually address the problem.**

- The Lincoln Land Institute wrote in a 2008 report that assessment caps are “among the least effective, least equitable, and least efficient strategies available for providing property tax relief.”
- The Tax Modernization Committee’s (2013) #1 recommendation for property taxes was to “increase the state aid commitment to schools to offset property tax use...”
- The Governor’s proposals (LB 958 and LB 959) aim to restrict the spending of local governments in ways that impede local control and will jeopardize schools and services provided at the local level.
- Local government spending is not the problem.
  - Local governments are already subject to levy limits and spending limits.
  - All local spending over the last decade has been nearly flat as a share of the economy.

### **A Better Approach**

- A better approach to reducing property taxes would be to address our low state support for K-12 school and other local governments. Nebraska ranks:
  - 2<sup>nd</sup> most reliant on property taxes to fund K-12 schools;
  - 49<sup>th</sup> in the percent of K-12 funded by the state; and,
  - 47<sup>th</sup> in the country in our state support for local governments.